

Message Text

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62

ACTION COME-00

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 5328

INFO AMCONSUL CIUDAD JUAREZ UNN

AMCONSUL GUADALAJARA UNN

AMCONSUL HERMOSILLO UNN

AMCONSUL MATAMOROS UNN

AMCONSUL MAZATLAN UNN

AMCONSUL MERIDA UNN

AMCONSUL MONTERREY UNN

AMCONSUL NUEVO LAREDO UNN

AMCONSUL TIJUANA UNN

UNCLAS MEXICO 10644

E.O. 11652: N/A

TAGS: EIND, ETRD, BEXP, ECON, ECRE, EMAE, EALR, EMIN,

EINV, EXIM, PINR, MX

SUBJ: MEXICAN STEEL INDUSTRY REQUIRES INFO ON US. STEEL

INDUSTRY RE LONG-TERM EXPANSION PLANS FOR MEXICO

REF: MEXICO A-523, STATE A-7720, STATE A-3450, STATE A-9633

PASS TO COMMERCE

1. SUMMARY: DIRECTOR GENERAL OF MEXICO'S LARGEST STEEL FIRM, ALTOS HONROS DE MEXICO (AHMSA) REQUESTS INFORMATION ABOUT US. STEEL INDUSTRY AS NOTED PARA. 2. EMBASSY BELIEVES REQUEST IMPORTANCE IN VIEW OF FACTS NOTED BELOW AND RECOMMENDS AS THOROUGH BUT PROMPT REPLY AS POSSIBLE UPON CONSULTATION IN STATE AND COMMERCE WITH AMERICAN IRON & STEEL INSTITUTE (AISI) AND PERTINENT FIRMS. MEXICO'S LONG-TERM EXPANSION PLANS FOR STEEL INDUSTRY MAY MEAN POTENTIAL SALES OF OVER BILLION DOLLARS BY STEEL EQUIPMENT SUPPLIERS. SEE ANALYSIS IN STEEL INDUSTRIAL UNCLASSIFIED

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OUTLOOK REPORT CERP MEXICO A-523. IN PARA. 7 BELOW, EMBASSY

REQUESTS SPECIFIC DEPARTMENT ASSISTANCE ESPECIALLY IN
ACTIVATING TECHNICAL SALES SEMINAR ASAP.

2. IN LETTER TO AMBASSADOR DATED NOVEMBER 21, DIRECTOR
GENERAL ALTOS HORNOS SAID QTE THIS ENTERPRISE IS INTERESTED IN
INTENSIFYING ITS INDUSTRIAL RELATIONS WITH THOSE COUNTRIES
WELL KNOWN FOR STEEL PRODUCTION. TAKING INTO ACCOUNT THE
IMPORTANCE YOUR COUNTRY HOLDS IN THIS FIELD, WE WISH TO EXPAND
OUR INFORMATION, AND I HAVE ASKED SR. AURELIO DIAZ ARZOZ, MY
ASSISTANT IN THE GENERAL DIRECTORATE, TO COLLECT DATA HELPFUL
TO US. END QTE. REQUEST IS RELATED TO AHMSA RESEARCH ON POTENTIAL
FUTURE SUPPLIERS.

3. SR. DIAZ ARZOZ DELIVERED LETTER PERSONALLY AND REQUESTED
INFO ON FOUR SUBJECTS AS FOLLOWS:

- A. THE STEEL INDUSTRY IN THE UNITED STATES
- B. CURRENT US. INVESTMENTS IN MEXICO
- C. BILATERAL ECONOMIC AGREEMENTS (CONVENIOS) AND TECHNOLOGICAL
COOPERATION AGREEMENTS BETWEEN US. AND MEXICO.
- D. GENERAL INFORMATION ON COMMERCIAL RELATIONS BETWEEN US.
AND MEXICO.

INFORMATION RECEIVED WILL BE INCLUDED IN A GENERAL UP-DATE
REPORT ON ALL STEELMAKING COUNTRIES.

4. IN PARTIAL REPLY, EMBOFF SUGGESTED MEXICO'S STEEL CHAMBER
TO DIAZ AS EXCELLENT INFO SOURCE ON STEEL TRADE STATISTICS
BETWEEN MEXICO AND US. ESPECIALLY RECOMMENDING CHAMBER/INDUSTRY
ANALYSIS DONE IN JUNE. DIAZ ALSO WANTED US. DATA AND EMBOSS
PROVIDED USG EXPORT, IMPORT AND PRODUCTION STATISTICS ON STEEL
PRODUCTS THROUGH JUNE 1974. EMBOFF ALSO SHOWED DIAZ EMBASSY COPY
OF IMPRESSIVE STEEL TECHNOLOGY COMPENDIUM OF 1300 PAGES REEDITED
BY US. STEEL CORP. IN 1971 AS POSSIBLY MOST COMPREHENSIVE
PRESENTATION OF AMERICAN STEEL TECHNOLOGY, BOOK ENTITLED
"THE MAKING, SHAPING, AND TREATING OF STEEL." EMBOFF THEN WROTE
TO DIRECTOR OF US. STEEL CORP. INTERNATIONAL, ATTACHING
COPY OF EMBASSY 54-PAGE ANALYSIS OF IMPRESSIVE US EQUIPMENT SALES
POTENTIAL IN MEXICO, CERP A-523, AND SUGGESTED HE MIGHT SEND
COPIES OF BOOK TO DIRECTORS OF AHMSA AND SICARTSA-LAS TRUCHAS.
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5. EMBOFF REQUESTED MORE SPECIFIC INFO RE SCALE OF AHMSA
EXPANSION PLANS, TO GIVE US INDUSTRY BACKGROUND FOR ITS REQUEST.
DIAZ INDICATED AHMSA FEELS HIGHLY COMPETITIVE WITH NEW SICARTSA
PROJECT AND IS STEPPING UP EXPANSION TO MAINTAIN 40 PERCENT
MARKET SHARE IN FUTURE. AFTER CURRENT EXPANSION TO 3.75 MILLION
METRIC TONS (WHICH IS ESTIMATED TO COST OVER 384 MILLION DOLLARS
IN IMPORTED MACHINERY, 160 MILLION OF WHICH ESTIMATED US.),

AHMSA PLANS SUBSEQUENT 7-YEAR EXPANSION TO ABOUT 6.05 MILLION METRIC TONS (MTS). SINCE THIS WILL BE DOUBLE SIZE OF CURRENT EXPANSION IT MAY MEAN DOUBLE THE IMPORTS. DIAZ ALSO STATED ENTIRE INDUSTRY MUST CONTINUE TO DOUBLE CAPACITY EVERY SEVEN YEARS TO MEET INTERNAL DEMAND AND HOPEFULLY EXPORT 15 PERCENT OF PRODUCTION. (CONTINUED EXPANSION IS ALSO BUILT INTO SICARTSA LONG-RANGE PLANS FOR FOUR STAGES, DISCUSSED IN APPENDIX X OF A-523.) DIAZ EXPLAINED DETAILS ABOUT AHMSA LONG-RANGE EXPANSION STILL BEING WORKED ON AND NOT READY FOR OFFICIAL RELEASE. HE SUBSEQUENTLY PRESENTED DIRECTOR'S LISTING OF INDUSTRY'S INGOT CAPACITY AT END 1976 BY FIRM: AHMSA-3.75 MILLION MTS, HYLISA-1.7 MILLION, FUNDIDOTRA-1.6 MILLION, SICARTSA-1.3 MILLION, TAMSA-.5 MILLION, OTHERS 1.035 MILLION. 1976 TOTAL IS 9.885 MILLION MTS AND THIS GOAL HAS BEEN APPROVED BY GOM STEEL COORDINATING COMMISSION. FOR 1980, CAPACITY TARGET IS TENTATIVELY 12.9 MILLION MTS.

6. GOM IS DOING UTMOST TO ASSIST EXPANSION. GOM FINANCE UNDERSECRETARY AUTHORIZED DEC. 12 ACCELERATED DEPRECIATION OF FIXED TANGIBLE ASSETS OF IRON AND STEEL INDUSTRIES, E.G. BUILDINGS, MACHINERY AND EQUIPMENT. OFFICIAL NOTED DEVELOPMENT IS ESSENTIAL TO INDUSTRIALIZATION, DIMINISHES FOREIGN DEPENDENCE, SURPLUS WILL CREATE PROFITS, GROWTH GENERATES EMPLOYMENT. GOM DIARIO OFICIAL OF DEC. 13 PUBLISHED TREASURY MEASURES, FORWARDED UNDER SEPARATE AIRGRAM. NEWSPAPERS REPORT AHMSA RECEIVED IN FIRST WEEK DECEMBER MORE FOREIGN CREDITS OF 84.4 MILLION DOLLARS FROM BANKING CONSORTIUM OF EIGHT COUNTRIES FOR MACHINERY AND EQUIPMENT.

7. EMBASSY COMMENT AND ACTION REQUESTED
IN DISCUSSIONS WITH DIAZ EMBASSY OFFICERS NOTED GENERAL CATCH-ALL NATURE OF REQUEST FOR INFORMATION IN DIRECTOR GENERAL'S LETTER AND OBSERVED THAT MUCH OF INFORMATION REQUESTED SHOULD BE UNCLASSIFIED

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AVAILABLE IN MEXICO. IN FACT, DETAILED INFORMATION, ON "CURRENT US. INVESTMENT IN MEXICO". IS PROBABLY AVAILABLE ONLY THROUGH GOM SOURCES. NOR IS IT CLEAR TO US WHY ALTOS HORNOS BELIEVES IT NEEDS INFORMATION ON BILATERAL AGREEMENTS BETWEEN US. AND MEXICO OR ON GENERAL BILATERAL COMMERCIAL RELATIONS. HOWEVER, IN VIEW OF POENTIAL LARGE SALES, EMBASSY WISHES TO BE AS HELPFUL AS POSSIBLE. THE MOST RELEVANT REQUEST OBVIOUSLY CONCERNS STEEL INDUSTRY ITSELF, AND WE ASK THAT STATE AND USDOC HELP US IN FOLLOWING UP REQUEST TO US. STEEL CORPORATION TO PROVIDE TECHNOLOGY TEXTBOOK AND/OR TO INVESTIGATE WHETHER BETTER COMPENDIUM EXISTS. EMBASSY PROVIDED TO DIAZ AVAILABLE LIMITED INFORMATION ON US. INVESTMENT IN MEXICO PLUS PRODUCTION AND TRADE STATISTICS.

AS TO BILATERAL ECONOMIC AND TECHNICAL REQUIREMENTS, EMBASSY HAS JANUARY 1, 1974, ISSUE OF TREATIES IN FORCE AND AFTER CHECKING

RELEVANT FILES ASSUMES INFORMATION ON PAGE 171 IS COMPREHENSIVE
LISTING PLEASE NOTIFY US IF OTHERWISE.
IN ADDITION EMBASSY (INCLUDING TRADE CENTER) IS EXPLORING
POSSIBILITY OF HOLDING EARLY TECHNICAL SALES SEMINAR ON STEEL
INDUSTRY. PREFERABLY DURING FIRST QUARTER 1975. IF GOM BECOMES
CONVINCED THAT US. TECHNOLOGY, EQUIPMENT, DELIVERY TERMS AND
FINANCING ARE SUPERIOR, IT MAY CAUSE GOM TO MODIFY ITS TRADE
DIVERSIFICATION POLICY AND THUS STRENGTHEN THE US. COMPETITIVE
POSITION.
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